

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1481 - HB 1684

March 25, 2014

SUMMARY OF ORIGINAL BILL: Makes changes to the *Tennessee Securities Act of 1980* by creating the *Invest Tennessee Exemption*. Exempts certain securities from securities registration; the filing of sales and advertisement literature; and the filing of consent with the Commissioner of the Department of Commerce and Insurance (DCI) as an attorney-in-fact, to receive a service of process in any noncriminal suit, action, or proceeding against the applicant or issuer or immediate successor, executor, or administrator.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact – Exceeds \$4,000

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures - Exceeds \$4,000

Other Impact - According to the Securities Division, this may provide means for local business to increase capital for the operations of such businesses. Due to a number of unknown factors, this amount cannot be reasonably determined.

SUMMARY OF AMENDMENTS (015006, 013557): Deletes all language after the enacting clause and rewrites the bill. Makes changes to the *Tennessee Securities Act of 1980* by creating the *Invest Tennessee Exemption*. Exempts certain securities from securities registration; the filing of sales and advertisement literature; and the filing of consent with the Commissioner of the Department of Commerce and Insurance (DCI) as an attorney-in-fact, to receive a service of process in any noncriminal suit, action, or proceeding against the applicant or issuer or immediate successor, executor, or administrator.

Adds provisions prohibiting an issuer from using this exemption if the issuer contains or is connected to certain persons who have or have possibly committed criminal violations regarding the purchase, issuance, or sale of securities. The burden of proof of qualifying for this exemption is placed on the issuing individual or entity.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This act will take effect January 1, 2015.
- This creates a new exemption for Tennessee residents offering securities.
- Authorizes the issuance of a security with a sales ceiling of \$750,000.
- The Department of Commerce and Insurance, Securities Division, estimates that approximately 10 persons or entities will take advantage of this exemption annually.
- Such persons or entities currently offer identical securities.
- A notice filing fee of \$100 will be submitted by the persons or entities taking advantage of the exemption. This will result in a recurring increase in state revenue of approximately \$1,000 (10 x \$100).
- The Division charges \$1,000 per initial application registration and \$500 per renewal application.
- This exemption will result in a decrease of approximately \$5,000 (10 x \$500) in recurring revenue.
- This act will result in a net decrease in state revenue exceeding \$4,000 [(10 x \$500) - (10 x \$100)].

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This exemption will result in an increase in business expenditures of \$1,000 for those issuers meeting the requirements of the *Invest Tennessee Exemption*.
- This act will result in a net decrease in business expenditures exceeding \$4,000 [(10 x \$500) - (10 x \$100)] for the 10 filers meeting the requirement of this act.
- According to the Securities Division, this may provide means for local businesses to increase capital for its operations. Due to a number of unknown factors, this amount cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb